HITTING THE WALL AT FORTY • FINANCING GROWTH • FAXPOLL: ARE YOU LOYAL?

SEPTEMBER 1990

MONTH

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HENRY LUCE II
FOUNDER OF TIME INC.

"That's all Folks!"

From Glory Days to Looney Tunes: Managing Culture Shock at Time Warner

Business MONTH

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Laurel Daunis

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Time Warp

Time Inc. stood for Henry Luce's moralistic brand of journalism; Warner Bros., for Steve Ross's Hollywood-style deal making. A year after their merger, the two cultures are still distant—but Ross seems to be winning the corporate soul. Poor Henry. *By John Marchese*

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What does a CEO do? Jerre Stead talks and talks. Listen in on two days of his conversations and on how he makes decisions at Square D. *By Patrick Houston*

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PATRICK HOUSTON'S CHEAP SHOT AT THE Baldrige award does a serious disservice to the U.S. business community. The Baldrige guidelines are the most useful and inexpensive set of standards for measuring quality performance yet devised in this country, or perhaps anywhere. While it is true that 100,000 copies of the guidelines were given away this year, only 97 companies applied for the award. The majority of the *free* guidelines are used by companies to conduct internal audits of their performance to see where they stand in relation to a very tough set of world-class standards and to initiate improvement projects. This, I would submit, is a great achievement, which will lead to increased competitiveness, not a dubious one.

JERRY G. BOWLES
Publisher
The Quality Executive
New York

THE ENTIRE POINT OF THE BALDRIGE award is the preparation, not the trophy. The opportunity to have an objective third party offer a company feedback on how it is progressing against a set standard offers a company a great deal more than $2,450 (the application fee) could buy in consulting services. The companies who "put on the best show" are not at the right starting gate and perhaps, to use Houston's analogy, should consider signing up for the Rose Bowl instead. On the other hand, the firms that are willing to invest toward excellence in those categories are the same companies I want to do business with, have in my investment portfolio, and work with as clients.

ELIZABETH HAMILTON
Heidrick and Struggles
Boston

I WANT TO COMMEND PATRICK HOUSTON on a fine exposé. The "take us to the top every quarter" corporate executive should think twice about applying for this award. It takes most companies 5 to 10 years to achieve a level worthy of a field visit by award examiners. It should attain automotive or aerospace or military quality-award levels with full statistical-based documentation before applying for the Baldrige award. The latter is a far greater challenge, particularly in the human-resources and leadership areas.

Effective personnel development (not training), team work (not top-down direction), flat organizational concepts, leadership (not managers), and products or services that satisfy customer desires are the qualities that a company needs when pursuing its own greatness.

So companies should set their sights on 1995 to 2000 and build to be award contenders in that period. In the process, they can achieve greatness in their own right, in their own business. That is the best game plan.

GENE TOMLINSON, RPC
Vice chairman, Regional Council for the Human Resources Division
American Society for Quality Control
Southfield, Michigan

FOR CHRYSLER'S SAKE!

JOHN JUDIS'S "MYTH VS. MANAGER" (The Cover, July) proves once again that Chrysler Corporation and its chairman, Lee Iacocca, are fair game for just about every journalist.

Does Chrysler face difficult times ahead? Absolutely. But was every action we've taken in the past five years misdirected, as Judis indicates? Absolutely not. Is Lee Iacocca the "main man" at Chrysler? Don't ever doubt it. But is he the only one who makes any decisions here? No way. Mr. Iacocca is definitely a strong-willed—albeit mortal—coach, but there are many other talented executives on the team who participate in the decision-making process. Laying total responsibility on Mr. Iacocca for everything bad—or good—that happens at Chrysler is naive.

We acknowledge that not everything we've done during the past several years has worked out as planned. But then, much of what has hit Chrysler, and the rest of the domestic industry, has been out of our control.

As Judis concludes, the final chapter on Mr. Iacocca and Chrysler remains to be written. We fully anticipate a happy ending.

BUD LIEBLER
Vice president, Communications
Chrysler Corporation
Highland Park, Michigan

Address letters to Letters Editor, BUSINESS MONTH, *488 Madison Avenue, New York, NY 10022. Or fax 1-800-766-7655. All letters must include the writer's name, address, and telephone number.*

Lousy

Whack! Heads are rolling across corporate America, and companies seem to be botching the job. You say we need more compassion and better communication. Still, you're not a very sentimental bunch: If you had to wield the ax, only 31 percent of you would spare workers on the basis of seniority.

EXTEND HEALTH BENEFITS for fired workers, say an overwhelming 74%; offer generous severance pay, advise 69%. Other popular exit perks: free outplacement (55%) and psychological counseling (20%). How much severance pay is appropriate? Most of you would link its duration to length of service (e.g., one month per year). Readers at the largest companies have a strong sense of generosity; those at smaller outfits seem more willing to offer longer medical coverage for consolation cash. One subscriber doesn't believe in severance at all, because "it tends to keep people from getting enthused about interviewing." Yup, there's nothing like sitting at home and counting that new, ill-gotten wealth.

at Layoffs

78%
say most companies don't handle termination fairly and sensitively

Layoffs are legion: 59% say their companies have lopped off people in the last six months. That number jumps to 70% among respondents in the largest companies. Reason: Layoffs are becoming a regular fact of life among the *Fortune* 500, a sort of brutal corporate tune-up every few years. The smallest firms can't afford these crash diets—if they're forced to cut the equivalent of a division, they're probably on their way to Chapter 11.

When Deciding Which Employees To Lay Off You Should Consider:

85% Say Performance

31% Say Seniority

14% Say Functional Skills

3% Say Personal Needs

FaxPoll™

ARE YOU A HATCHET MAN?

- Do you think most companies handle the termination process fairly and sensitively?
- Have changed business conditions forced your company into layoffs in the last six months?
- When deciding which people to lay off, you should give special consideration to an employee's:
- What mistake do managers most commonly make?
- Are you proud of the way your company handles layoffs?
- How can companies best minimize the damage to those being laid off?
- Do companies have a special obligation to the survivors?

Callous attitudes are the worst mistakes managers make when laying people off, say 55% of you. Nearly half (49%) believe there's not enough advance warning; 29% point to poor communication, while 16% blame administrative screwups. "Fire the dumb bastards who *caused* the decline," grouses a reader, one of 8% of you who say that cuts victimize the innocent.

Proud? Nope. Not of the way your company handles layoffs, 56% of you admit. Many fault the judgment of those in charge of making the cuts: "We get rid of people at the bottom; the expensive deadwood is still here." Readers from smaller companies are less critical, praising management's attempts to keep employees as long as possible and, in the worst circumstances, separating people quickly and fairly. Layoffs are awful, as one reader reminds us, no matter how sensitively they're handled: "Where does a 55-year-old man who has spent over 30 years with his company find another job?"

We owe plenty to the survivors, clamor 75% of you. "The company must rebuild the confidence of those who witness the slaughter," writes one of you. To wit: an explanation of what's going on (19%) and reassurance of job security (19%). Readers at smaller companies aren't so sympathetic. "They're lucky to have a job," fumes one subscriber.

August Preview: The Money Pit

Were they simply too embarrassed about their own compensation? CEOs, who flocked to our poll on takeovers, didn't have much to say about executive pay. But hundreds of managers did, complaining that most top brass makes too much dough—except their *own* CEOs, who they claim are paid about right. Meanwhile, who can you trust? Turn to page 100.

Mark recalls. "The kids climbed the rocks, got through the obstacles, learned how far an encouraging word can go."

But they also got into plenty of trouble. Unaccustomed to the woods, the city kids were often frustrated, and this triggered fights. Tarps went flying; so did a few fists. The Marks nearly sent Millie home for instigating so many squabbles. But in one of their first demonstrations of cooperation, the other kids decided she should stay and, hoisting her up on their shoulders, began chanting, "Millie stays. Millie stays." She did, and things quieted down some.

Reuben Mark credits the work at Grand Street with opening his company's eyes to urban education. Other Colgate managers started to volunteer. After visiting a crumbling junior high school in the Bronx, says Mark, "I recruited some Colgate people to get involved. Then I bowed out. I get a big kick when others take over." He grins.

Mark, who serves on the boards of several different education groups, never uses his extracurricular activities to glorify his company. Marketing is about promoting products, he thinks, not corporate philanthropy. His work outside the office is intensely private; until this story, Mark has declined to talk to the press about the I Have a Dream program.

Conversely, Mark doesn't look upon the community center as a source of future employees. True, he's offered the kids summer jobs at Colgate. But it's part of a deliberate plan to instill the self-reliance, skills, and work habits necessary to go out and get jobs elsewhere. During the first summer, some kids received one-month paid internships under mentors, working as company-store cashier, mail-room messenger, and human-resources clerk. Two creative teens helped in the computer-graphics department; another had a job in security. The next year, the kids went to various departments within Colgate, after receiving help rehearsing for job interviews.

This summer, they went out into the world, working three days a week, some at an agency, others at a Hispanic TV station, a few at Colgate. "We prepare the employers, try to match kids to the right spots," says Mark. "Some of the kids are stable and reliable." Others aren't. "Hiring these kids is an act of charity," concedes Grand Street executive director Anna Hopkins. "Special-ed kids may flare up more easily than the average youngster or be disrespectful."

Part of the problem is the parents, some of whom still don't buy into the program. Many receive public assistance. A few take drugs. The Marks still insist on tracking parents down and talking to them if they're hesitant about a program activity or if their child is having difficulty in school.

When a fistfight broke out on a camping trip into the wilds of New Jersey, the Marks almost sent one girl home. But the other kids began chanting, 'Millie stays. Millie stays.' She did.

One mother refused to open her door to the Marks when they tried to convince her to let her son go on the Outward Bound trip. More frequently, Arlene Mark arrives at Grand Street and delivers a wake-up call to parents, asking them to rouse their kids for tutoring. Once she offered to take a mother to Colgate and point out where her son would work—to help her accept the prospect.

So far, at least, there's been little parental resistance to the Marks' latest project, the Entrepreneurial Academy, a simple capitalist experiment begun in July. The program started with a discussion of minority inventors and entrepreneurs. Then each student wrote a business plan, designed and made business cards, and drew a sign. The Marks gave each kid $50 to buy merchandise—cosmetics, T-shirts—to sell at a weekend flea market later in the summer. The best poster garnered a $100 prize. Any student who managed to put away $500 by September won a bonus of $100; $1,000 in savings earned an extra $200.

The I Have a Dream program is sometimes punctured by nightmares. This, after all, is a tiny island in a world of neglect, gang wars, and drugs. One girl recently became pregnant and plans to be a single mother. A boy was suspended from school after a weapon was found in his locker. Some kids disappear, moving in with another relative without leaving a phone number. Others stop coming to tutoring for months then reappear for special trips to Great Adventure or the Marks' house in Connecticut.

But there are successes too. Eddie, who couldn't read when the program started, won last year's award at his high school for the most improved student. This summer, Nina reported for her Colgate job interview in high heels, stockings, and a dress borrowed from her mother—decorum once completely foreign to her. And Millie, who has been building credits at a high school for kids with emotional problems, plans to attend college in a couple of years.

Meanwhile, the Marks keep trying to balance their ideals with realities. "Our goal is to keep them in school," says Arlene Mark. Her husband adds a different perspective. "The program is far more involving—and gratifying—than I anticipated," he remarks with quiet intensity.

Even though it's just a drop in the bucket relative to the overall problem, when you see any progress at all in the kids you feel very proud of them, you feel that maybe you've added a little bit to their hope." ■

Carol Milano is a New York writer.

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